

Session 4: Chairman's Note

(1) Asian economy

(i) Decline in Exports

(ii) Financial sectors in Asia less affected by this crisis.

(iii) Bank dominated financial system of Asia

(iv) Conglomerates (Corporations – Bank relations)

(v) Less developed capital market (bond market) in Asia.

→ Asian Financial Stability Dialogue

(2) Minimum Basel Capital Requirement (Basel II)

(3) Micro prudential regulation --failure of individual institution

Macro-systemic risk externalities--- Systemic Risk

Systematically Important Financial Institutions

(Time varying, Assessment; ex-ante vs. ex-post)

(4) Regulated sector vs. Un-regulated entities

(Mortgage originators, Broker-dealers business—Not under Basel II)

Cross border regulation

Global financial architecture vs. domestic financial architecture in Asia

Regulation of Financial products (Hedge funds, credit default swaps)

(5) Excess Liquidity; Role of monetary policy, Causes of the Bubble.

(6) Would wider regulation prevent future crises?

Pre-emptive policy is difficult to implement in many cases.

1989: Regulations => Finance companies' loan to real estate

(7) Assisting SMEs through Financial Sector Intervention

Credit crunch (Lack of collateral, lack of information)

Government Policies (Credit guarantees, special funds)

(8) A lack of prompt supply of liquidity

Ex-post crisis management